

Message Text

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ORIGIN OPIC-06

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FM SECSTATE WASHDC

TO AMEMBASSY GUATEMALA

AMEMBASSY TEGUCIGALPA

AMCONSUL BELIZE

AMEMBASSY MANAGUA

AMEMBASSY SAN JOSE

AMEMBASSY SAN SALVADOR

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E.O. 11652: NA

TAGS: EINV, GT, HO, SS, BH, CR NU

SUBJECT: CENTRAL AMERICAN INVESTMENT INSURANCE PROGRAM

GUATEMALA ALSO FOR ROCAP

1. PURSUANT TO THE DECEMBER 19 CONVERSATION BETWEEN HARRISON AND MANSBACH, THERE FOLLOW OPIC'S IDEAS ON A CENTRAL AMERICAN INSURANCE PROGRAM. SUGGEST ROCAP HOLD OFF DISCUSSION OF SAME WITH CABEI PENDING RECEIPT OF COMMENTS/RECOMMENDATIONS FROM OTHER ADDRESSEES.

2. BEGIN TEXT. CENTRAL AMERICAN INVESTMENT INSURANCE PROGRAM.

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;IN OPIC'S EXPERIENCE AS AN INSURER OF U.S. INVESTMENTS IN

THE DEVELOPING COUNTRIES AGAINST RISK OF LOSS BY REASON OF INCONVERTIBILITY OF CURRENCY, EXPROPRIATION, AND WAR/ REVOLUTION/INSURRECTION, IT HAS BECOME APPARENT THAT THE ATTRACTIVENESS OF INTRA-REGIONAL INVESTMENT IN THE THIRD WORLD CAN BE GREATLY ENHANCED BY THE CREATION OF REGIONAL ORGANIZATIONS DESIGNED TO INSURE REGIONAL INVESTORS AGAINST LOSS OF THEIR INVESTMENTS THROUGH POLITICAL RISKS. TO THIS END, OPIC HAS ASSISTED IN THE CREATION OF THE INTER-ARAB INVESTMENT GUARANTEE ASSOCIATION, OWNED AND OPERATED BY 15 ARAB GOVERNMENTS AND DESIGNED TO SERVE ARAB INVESTORS

INVESTING IN MEMBER COUNTRIES.

3. AS CABEI IS AWARE, OPIC HAS DEVOTED SUBSTANTIAL RESOURCES OVER THE LAST YEAR IN ATTEMPTING TO FOSTER PRIVATE INVESTMENT IN CENTRAL AMERICA. NOT ONLY HAS IT HELD BRIEFING SESSIONS FOR THE CENTRAL AMERICAN GOVERNMENTS AND PRIVATE SECTOR GROUPS, BUT IN NOVEMBER 1975 IT SPONSORED A REGIONAL INVESTMENT MISSION WHICH BROUGHT 31 TOP-LEVEL U.S. BUSINESS EXECUTIVES TO CENTRAL AMERICA FOR TWO WEEKS OF MEETINGS WITH HEADS OF STATE, GOVERNMENT MINISTERS AND POTENTIAL JOINT VENTURE PARTNERS IN THE PRIVATE SECTOR. DURING THIS PERIOD IT BECAME OBVIOUS THAT A HIGHLY USEFUL TOOL IN STIMULATING INTRA-REGIONAL INVESTMENT IN CENTRAL AMERICA WOULD BE A POLITICAL RISK INSURANCE PROGRAM OPERATED BY CENTRAL AMERICANS TO PROTECT CENTRAL AMERICAN INVESTMENTS IN CENTRAL AMERICAN PROJECTS. THE PURPOSE OF THE PROGRAM WOULD BE TO INSURE INVESTMENTS MADE BY CENTRAL AMERICAN CITIZENS AND CORPORATIONS IN CENTRAL AMERICAN COUNTRIES OTHER THAN THEIR COUNTRY OF CITIZENSHIP OR DOMICILE. SUCH INVESTMENTS WOULD BE ELIGIBLE FOR INSURANCE WHETHER THE RECIPIENT PROJECT WAS DESIGNED TO SERVE THE DOMESTIC MARKET, THE REGIONAL MARKET, OR THE WORLD MARKET. THE INSURANCE WOULD BE SOLD FOR A YEARLY PREMIUM AND CONTRACTS COULD BE WRITTEN FOR A PERIOD OF 10 YEARS OR LONGER.

4. THE CAPITAL OF THE ORGANIZATION WOULD BE CONTRIBUTED BY EACH OF THE CENTRAL AMERICAN GOVERNMENTS ON TERMS AGREED AMONG THEMSELVES. IN ADDITION TO THE CAPITAL, THE UNCLASSIFIED

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PARTICIPATING GOVERNMENTS WOULD BE REQUIRED TO GUARANTEE A RESERVE FOR PAYMENT OF CLAIMS, ALSO IN AMOUNTS AGREED BY THE PARTICIPATING GOVERNMENTS. EACH PARTICIPATING GOVERNMENT WOULD HAVE A REPRESENTATIVE ON A BOARD OF GOVERNORS, WHICH WOULD DIRECT THE OVERALL POLICY OF THE PROGRAM. DAY-TO-DAY MANAGEMENT WOULD BE IN THE HANDS OF A PROFESSIONAL STAFF. THE ORGANIZATIONAL INFRASTRUCTURE OF THE REGION SUGGESTS THAT CABEI IS THE LOGICAL INSTITUTION FOR

THE INITIAL DEVELOPMENT OF THE IDEA. CABEI HAS THE STAFF AND OTHER PHYSICAL RESOURCES NECESSARY TO STUDY AND DEVELOP A REGIONAL INVESTMENT INSURANCE OPERATION. INITIAL OPERATIONAL EXPENSES COULD BE ADVANCED BY CABEI ON A REIMBURSABLE BASIS- WHETHER THE PROGRAM WOULD LATER BE TRANSFERRED TO A SEPARATE AGENCY WITHIN THE CENTRAL AMERICAN COMMON MARKET INSTITUTION WOULD BE DECIDED AT A LATER TIME.

5. OPIC WOULD BE PREPARED TO ASSIST IN THE ESTABLISHMENT AND DEVELOPMENT OF SUCH A REGIONAL INSURANCE PROGRAM IN TERMS OF PROVIDING GUIDANCE IN PROCURING ASSISTANCE FOR

THE DRAFTING OF THE BASIC DOCUMENTS (THE ARTICLES OF ASSOCIATION, THE BY-LAWS AND THE INSURANCE CONTRACTS) AND IN THE ESTABLISHMENT OF APPROPRIATE RATES, LEVELS OF RESERVES REINSURANCE, AND UNDERWRITING GUIDELINES. FINALLY, OPIC WOULD AGREE TO TRAIN A SMALL NUMBER OF PERSONNEL THROUGH ON-THE-JOB INSTRUCTION AT OPIC'S OFFICES IN WASHINGTON." END TEXT.

6. REQUEST EMBASSY/USAID COMMENTS AND RECOMMENDATIONS. ALL REPLIES SHOULD BE REPEATED GUATEMALA FOR ROCAP. SISCO

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